



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0435	<b>Title:</b>	Close gender wage gap
<b>Primary Sponsor:</b>	Wilmer, Franke	<b>Status:</b>	As Introduced

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	\$9,614,766	\$9,567,166	\$9,751,477	\$9,995,430
Other - MUS Current Unrestricted Funds	\$12,602,700	\$12,602,700	\$12,917,768	\$13,240,712
Other - MUS Other Funds	\$14,740,000	\$14,740,000	\$15,108,500	\$15,486,213
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Other - MUS Current Unrestricted Funds	\$0	\$0	\$0	\$0
Other - MUS Other Funds	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$9,614,766)</u>	<u>(\$9,567,166)</u>	<u>(\$9,751,477)</u>	<u>(\$9,995,430)</u>

### Description of fiscal impact:

This bill provides for closing the gender wage gap between women and men for equivalent service-level of work by establishing guidelines of what determines an equivalent service, creating a database to compile for those equivalent services, granting public access to these guidelines, and amending penalties for violations.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Administration**

1. Section 2 of this bill requires the department to create a database of equivalent service guidelines and grant public access to the guidelines upon request.
2. Criteria to be developed for inclusion in the database would require 0.75 FTE human resource specialist at an annual cost of \$48,200 including benefits for FY 2010 and FY 2011. This 0.75 FTE would not be needed in FY 2012 or FY 2013.

3. Estimated one-time-only costs in FY 2010 include \$1,200 for an office package and \$1,400 for a computer.
4. Operating expenses including rent, phone, computer connectivity and office supplies are estimated to be \$5,330 in both FY 2010 and FY 2011.
5. The estimated costs and assumptions presented below are for the development and support of a database and ongoing database hosting costs:
  - a. There are three eGovernment services to provide public access of the equivalent service guidelines: a public search service, a public firm entry service secured by ePass Montana, and an administrative service for state employees to administer the application. Development of these three services and the supporting database would require 500 hours at \$90 per hour for an estimated total of \$45,000 in FY 2010.
  - b. Database hosting costs would be needed to store and maintain data provided by the potential 43,258 employers in Montana on the approximate 505,684 employees in Montana. The average amount of data on each position is 3,000 kilobytes and equates to a minimum database size of 3 gigabytes (Gb). Three database versions would be needed: development, test, and production for total of 9Gb. Hosting cost is estimated at \$704 per Gb per year.
  - c. The database annual hosting cost is estimated at \$6,336 (\$704 per Gb x9Gb) annually for FY 2010 and FY 2011, \$6,494 for FY 2012, and \$6,823 for FY 2013.
6. Costs related to providing public access to the guidelines, via website, can be addressed with existing staff.

**Montana University System**

7. HB 435 requires the same pay for women as men, for equivalent work, without regard to market or other non-discriminatory factors.
8. Based on previous market conditions, the Montana University System (MUS) has experienced salary inversion where newly hired staff makes more than existing staff. These pay inversions create a substantial number of pay inequities across the MUS without regard to sex.
9. Because faculty positions in the MUS (70% of MUS employees) are hired based on individually negotiated contracts with the Board of Regents, salaries are reflective of the market at the time of hire. This can create salary inversion issues. Because the bill would require the University System to ensure that no female employee could be paid less than a comparable male employee even if the female were otherwise agreeable in pay negotiations or at the point of job offer.
10. The MUS analyzed faculty and staff salaries by position title without consideration of qualifications or years in rank. Based on current equal employment opportunity policies and other non-discriminatory state and federal statutes, the MUS believes if non-discriminatory market based wage gaps are to be eliminated for female employees as mandated by HB 435, similar wage gaps also have to be eliminated for male employees.
11. All funds necessary to bring all salaries up to the highest salary for equal skills, effort, and responsibility is \$36,850,000, all funds for FY 2010 and FY 2011. In FY 2012 and FY 2013, costs are assumed to inflate at 2.5% per year.
12. Approximately 60% of salaries are charged to the current unrestricted fund or approximately \$22,110,000 for FY 2010 and FY 2011. The \$22,110,000 is made up of \$9,507,300 of general fund and \$12,602,700 is other sources of current unrestricted revenue.
13. In order to generate the additional \$12,602,700 in other sources of current unrestricted revenue, the MUS would have to increase tuition or cut expenses (reduce number of faculty and classified positions) or a combination of both. Similar decisions would be required for fund types other than current unrestricted funds in the university system.

**Fiscal Impact:****Department of Administration**

<b>FTE</b>	0.75	0.75	0.00	0.00
------------	------	------	------	------

**Expenditures:**

Personal Services	\$48,200	\$48,200	\$0	\$0
Operating Expenses	\$59,266	\$11,666	\$6,494	\$6,823
<b>TOTAL Expenditures</b>	<b>\$107,466</b>	<b>\$59,866</b>	<b>\$6,494</b>	<b>\$6,823</b>

**Funding of Expenditures:**

General Fund (01)	\$107,466	\$59,866	\$6,494	\$6,823
-------------------	-----------	----------	---------	---------

**Montana University System****Expenditures:**

Personal Services	\$36,850,000	\$36,850,000	\$37,771,250	\$38,715,531
-------------------	--------------	--------------	--------------	--------------

**Funding of Expenditures:**

General Fund (01)	\$9,507,300	\$9,507,300	\$9,744,983	\$9,988,607
Other- Current Unrestricted F	\$12,602,700	\$12,602,700	\$12,917,768	\$13,240,712
Other - MUS Funds	\$14,740,000	\$14,740,000	\$15,108,500	\$15,486,213
<b>TOTAL Funding of Exp.</b>	<b>\$36,850,000</b>	<b>\$36,850,000</b>	<b>\$37,771,250</b>	<b>\$38,715,531</b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	(\$9,614,766)	(\$9,567,166)	(\$9,751,477)	(\$9,995,430)
Other-Current Unrestricted F	(\$12,602,700)	(\$12,602,700)	(\$12,917,768)	(\$13,240,712)
Other-Current Unrestricted F	(\$14,740,000)	(\$14,740,000)	(\$15,108,500)	(\$15,486,213)

**Effect on County or Other Local Revenues or Expenditures:**

This bill would not have a fiscal impact on local governments unless they were in violation of the provisions.

**Technical Notes:**

1. The equivalent service guidelines listed in section 2 may impact the terms and conditions of employment for state employees. As such, these guidelines would need to be ratified by the state employees' labor unions.
2. There is no effective date associated with this bill. This may affect certain measurement dates contained in section 1, such as calculation of back pay or fines.

\_\_\_\_\_  
*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*